IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
WACO DIVISION

ALIGN TECHNOLOGY, INC.,	) WA:24-CV-00187-ADA-DTG
	)
	)
v.	) WACO, TEXAS
	)
CLEARCORRECT OPERATING, LLC,	)
CLEARCORRECT HOLDINGS, INC.,	)
INSTITUT STRAUMANN AG,	)
STRAUMANN USA, LLC.	) JULY 25, 2024

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TRANSCRIPT OF INITIAL PRETRIAL CONFERENCE
BEFORE THE HONORABLE DEREK T. GILLILAND
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FOR THE PLAINTIFF: BRIAN CHRISTOPHER NASH
AUSTIN MICHAEL SCHNELL
MORRISON & FOERSTER LLP
300 COLORADO STREET, SUITE 1800
AUSTIN, TEXAS 78701

FOR THE DEFENDANTS: JAMES TRAVIS UNDERWOOD
GILLAM & SMITH
102 NORTH COLLEGE, SUITE 800
TYLER, TEXAS 75702

OMAR ALI KHAN
WILMER CUTLER PICKERING HALE AND DORR LLP
7 WORLD TRADE CENTER
250 GREENWICH STREET
NEW YORK, NEW YORK 10007

MARK A. FORD
JOSEPH J. MUELLER
WILMER CUTLER PICKERING HALE AND DORR LLP
60 STATE STREET
BOSTON, MASSACHUSETTS 02109

TRANSCRIBER: ARLINDA RODRIGUEZ, CSR
501 WEST 5TH STREET, SUITE 4152
AUSTIN, TEXAS 78701
(512) 391-8791

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(Proceedings began at 2:11 p.m.)

THE COURT: All right. Let's call -- the next case we want to hear is 6:24-CV-187, *Align Technology v. ClearCorrect Operating, LLC*.

And for the plaintiff?

MR. NASH: Good afternoon, Your Honor. Brian Nash.

THE COURT: Good to see you, Mr. Nash.

MR. NASH: Good to see you, too.

THE COURT: And for defense?

MR. UNDERWOOD: Good afternoon again, Your Honor. Travis Underwood for the defendants and counterclaim plaintiffs. With me is Joe Mueller, Omar Khan, and Mark Ford.

THE COURT: All right. Very good. Well, I had excused you earlier there on the last case, Mr. Underwood, but then I thought I might have been speaking too soon.

MR. UNDERWOOD: Well, I was excused on that one but not on this one, I guess.

THE COURT: There you go. Okay. All right. So on this one, this is a real interesting one with a lot of stuff going back and forth. To start with, let's see. I know you-all had submitted a proposed scheduling order, but there was a footnote that everybody was still meeting

and conferring on the proposed schedule. What's the status of trying to get an agreement on the schedule as well as discovery, because that was quite a bit of the Rule 26 report, is when and how discovery should kick off.

Mr. Nash?

MR. NASH: That's right, Your Honor. I think we actually reached agreement on a lot of issues.

THE COURT: Excellent.

MR. NASH: What was attached as, I believe, Attachment A to the 26(f) report, that kind of highlights where we ended up with a few disputes. So I think it kind of narrow downs to about four different disputes which somewhat interweave with the discovery and then the case schedule.

THE COURT: All right. Let me get down to that.

MR. NASH: I'm happy to kind of give you the four, and then we can talk about what order.

THE COURT: Yeah. Let's do that. Go ahead.

MR. NASH: Okay. So the way I understand it, we have kind of a threshold question about when discovery should start in the case. I guess I'll start by saying the plaintiff's position on each one of these is basically the default that the court's operated under

with the OGP, order governing patent cases. So, consistent with that, the plaintiff's position has been that we should just wait on general discovery on all these claims until after the *Markman* hearing.

The other three issues relate to a request by the defense to narrow the claims. There's a request to stagger the final contention deadlines such that invalidity contentions would be after final infringement contentions.

And then I think the third overarching issue is just the case aligns otherwise pretty much up through the close of fact discovery, but then because of sort of the defense has kind of spaced out the expert deadlines, which then pushed the trial date out by a couple of months.

THE COURT: Okay. All right. Let me hear from whoever -- Mr. Mueller or Mr. Underwood, whoever wants to respond on that.

MR. MUELLER: Yes, Your Honor. Good afternoon.

THE COURT: Good afternoon.

MR. MUELLER: So Mr. Nash is correct that there are a few issues that the parties have not yet reached agreement on. Perhaps just to set the stage here, Your Honor, this case involves on the plaintiff's side both assertion of nine patents as well as false

advertising claims. That's the original complaint. So the original complaint has both patent claims and commercial claims.

For our part we have patent defenses, noninfringement, invalidity, but we also have commercial claims of our own. All of this is intertwined. These are two competitors in the marketplace, and the claims that we have brought in response include antitrust claims and unfair competition claims under Texas law, as well as false advertising claims of our own.

So we have a situation where we have patent claims, patent defenses, and commercial claims on both sides, all of which are intertwined. All of which are intertwined.

And our proposals to Your Honor with respect to the issues that divide the parties are meant, in our view, to present -- or to allow the parties and the Court to adjudicate these issues in the most efficient way possible.

So I'm happy to go through each one of the issues that Mr. Nash took up, however Your Honor would prefer to do it, maybe issue by issue?

THE COURT: I think issue by issue works better. And, of course, it looks like a gating kind of issue is whether or not to open fact discovery. I'm

happy to hear --

MR. MUELLER: Sure. And I'm happy to take that one up first, Your Honor, if that makes sense.

THE COURT: Yeah, go ahead.

MR. MUELLER: So with respect to taking up discovery early, I actually think the simplist way to cut through this, Your Honor, if you read the joint status report, both parties have as a fallback position opening written discovery on all claims. They said they were okay with that, and we're okay with that, too.

So we do think that there's another way to do this that we think is absolutely proper under the governing rules, and that would allow for some differences in terms of how the patent and commercial claims are treated in this initial phase of the case. That was our position.

But our fallback position was, fine, let's open written discovery across the board on all claims in the case, patent and commercial. They said the same. So it may be the easiest just go with that fallback position on both sides.

To be clear, what that would mean, Your Honor, we would do the written discovery in form of document requests and interrogatories, perhaps requests for admission, also the normal patent written discovery under

the local rules. All of that would happen. We would hold off on depositions until the time at which depositions typically occur in a patent case.

Again, because these claims are intertwined, much of the patent discovery will intersect with the commercial discovery, and having those depositions occur around about the same time would make good sense.

But what we would respectfully submit to Your Honor is, probably the simplist way to deal with the question of discovery is just to adopt the backup position that's common to both sides, and that is written discovery opens now across the board and the local rules would govern on the remaining patent issues.

THE COURT: All right. Mr. Nash?

MR. NASH: Your Honor, yes, I think that accurately capturing the area of agreement towards the end of is alternative positions. I think our biggest issue with the proposal that Defense had proposed was that it was asymmetric in the sense that it would proceed on nonpatent claims that they've brought in their counterclaims and have the patent claims be stayed.

Our preference would be to follow the Court's default and wait on all claims until we have the *Markman* hearing. But, yes, Your Honor, we think that if you are going to open up discovery early, it should be as to all

of these claims.

THE COURT: Okay. So here's what we'll do. I will -- I guess I'll order the opening of written discovery effective Monday, but just for interrogatories, requests for production, and requests for admissions, for all claims.

And then the oral discovery or depositions, be they depositions of parties or third parties, that will be stayed. And that will open the day after the *Markman* like fact discovery would normally open.

MR. NASH: It does. Your Honor, I have one clarifying point.

THE COURT: Uh-huh.

MR. NASH: There is a pending motion to dismiss on lack of personal jurisdiction. So jurisdictional discovery has opened. We've submitted RFPs and other discovery requests to that effect. I would assume that at some point there will probably be depositions related to that.

So that would be the only sort of note I'd make, is that we are expecting and planning to have jurisdictional discovery to be open at this time.

MR. MUELLER: And we're happy to meet and confer with the plaintiff on that, Your Honor. I agree with Mr. Nash. That's a separate subject, and we can

take that up at the appropriate time. But with respect to the remainder, Your Honor I think had it exactly right.

THE COURT: Okay. That's what we'll do. I'll -- you-all meet and confer on the jurisdictional discovery since that's already begun. If you reach an impasse, you can -- you can use the standard email discovery process to get that sorted.

But we'll order the rest of the discovery -- written discovery open now. Testimonial discovery will open the day after the *Markman* hearing.

Given the complexity of the case, I'm happy to hear arguments. It seems like the more extended -- it looked like there were only about two months between the trial deadlines in the case. But it looked like a more extended schedule, especially if we're starting early, should be good enough.

But Mr. Nash, what are your thoughts on that?

MR. NASH: You're talking about the overarching case schedule, Your Honor?

THE COURT: Yes, sir.

MR. NASH: Yeah. I think given the fact discovery would be opening earlier, given Your Honor's ruling right now, the -- the schedule proposed by Plaintiff would actually make sense, because that has us

two months earlier. So we'll have all of the discovery beginning now, and that gives us plenty of lead time for both the patent claims and the additional counterclaims that they've raised.

THE COURT: Okay. Mr. Mueller?

MR. MUELLER: Your Honor, I think we're pretty close on this, too. The one piece that I would just ask for a bit of initial discussion now would be the expert discovery period, Your Honor. We had suggested a bit longer period than the normal rules would provide, and we think that's appropriate here, given the complexity of these intertwined issues.

We're going to be having, for example, more expert reports than infringement and invalidity. There will almost certainly be a fair amount of expert discovery on the antitrust issues, false advertising, and the rest.

So we do think a modest extension of expert discovery in line with our proposed schedule would be appropriate, how that intersects with the actual end date of the overall case we'll have to take a look at again. But we weren't that far apart. As Your Honor noted, we are about two months apart to begin with.

So if we were to, you know, perhaps meet in the middle, maybe a month extra, but have that extra expert

discovery, we would be fine with that, Your Honor.

THE COURT: Okay. That one I'm going to table that one. Let's go through these other issues. But at the end of this, I think what we'll do in light of the fact that fact discovery is opening for written fact discovery now, I'm going to give you-all a week to meet and confer after we get through these other issues -- a week to meet and confer and submit a revised schedule.

All right. So what was the next point of disagreement in the -- that we need to address in the schedule?

MR. NASH: Yeah, Your Honor. It might make sense for Mr. Mueller to go ahead and address this one. It's a deviation from the Court's default. So I believe these two would relate to the -- the dates you might see in this proposed schedule to require that Plaintiff reduce its asserted claims first before the *Markman* hearing and then another shortly after the *Markman* hearing.

And that's in addition to the two that are always typically included in the default schedule, which as Your Honor knows, takes place later the case, usually well into fact discovery, after the plaintiff has had both the benefit of understanding what the claim constructions are going to be as well as an opportunity

to get actual discovery in the case.

So this would be injecting four different tranches of claim narrowing throughout the case. We obviously disagree with that. We think the default is fine. In fact, trying to limit a plaintiff up front in a case, before it's had the opportunity for discovery and the benefit of claim construction, we believe is inequitable.

THE COURT: All right. Thank you, Mr. Nash.

Mr. Mueller.

MR. MUELLER: Yes, Your Honor. So we are requesting some additional claim narrowing. And we do think it's appropriate here for a couple of reasons.

Number one, in the nine patents that are asserted, there's 183 asserted claims as of today. That's obviously far more than the parties could actually litigate. What we're suggesting, Your Honor, is that the plaintiff reduce that 183 to 75 by mid October.

And, to be clear, under our proposed schedule, mid October would be after we serve our initial invalidity contentions and make our core technical production. And, indeed, if the written discovery is starting on Monday, there should be even more information available to the plaintiff by the time that first election was made. And, again, if the election that

we're proposing is to 75 claims, it's certainly an ample number on that date.

The second narrowing we're suggesting is the end of next March, and that would be 40. That would be after *Markman* under the proposed schedules and at the same time as the final infringement contentions. So, again, we think this is still giving the plaintiff ample room and flexibility with respect to how they prepare their case for trial.

We think moving from 183 to 75 after, again, after, we serve our initial invalidity contentions and begun the technical production of facts and information into the accused products is an appropriate narrowing at that juncture. And then 40, concurrent with the final infringement contentions, we also think is appropriate.

I would note, Your Honor, there have been examples of this Court doing something analogous to what we're suggesting. And we cited in the papers the *ParkerVision v. Intel* case, where the court ordered the plaintiff to narrow to 50 claims in the initial infringement contentions and then four claims per patent after *Markman*. Four claims per patent after *Markman* would be 36. We're suggesting 40 next year and 75 in October.

So we do think that this is a very reasonable

proposal with respect to narrowing. And against the backdrop of this complicated set of intertwined issues, this would allow us to do that piece of it in a more efficient way.

THE COURT: Okay. I appreciate it.

Mr. Nash, go ahead.

MR. NASH: Yeah. Your Honor, I think my only response is that 183 claims at this stage of a case -- which, again, is preliminary; we haven't even had an opportunity to get their contentions yet -- I don't think that's atypical. There's certainly many other cases in this court that have had similar number of claims, similar number of patents.

We cited in the 26(f) report there have been cases where, in recent time, that have been pressed to reduce their claims in advance of things like claim construction or general fact discovery, and those have been rejected.

The *ParkerVision* case, I recall that. I believe that was in 2020. I've seen, as this Court's practice has, like, continued, that we've gone back and forth on this. And I think that's why in this most recent OGP we've actually built in dates for that. I think the feedback that we saw when we tried to have restrictions earlier in cases was that that was unduly

restrictive on a plaintiff and was being done before the case had developed sufficiently to know which claims they were able to narrow to.

THE COURT: Okay. And Plaintiffs have already -- you already served your preliminary infringement contentions, correct?

MR. NASH: That's correct, Your Honor.

THE COURT: And is that 183 asserted claims?

MR. NASH: It is, yes.

THE COURT: Okay. And that's across nine patents?

MR. NASH: Yes.

THE COURT: Okay. Yeah. At this time I'm going to deny the request to add those extra deadlines to the scheduling order, and we'll just stay with what's in the standard existing order governing proceedings.

What is the next issue? Is it the substantial completion or something?

MR. NASH: I'll tee it up. But, again, this a is a deviation from the default. I think this is about the final contentions.

THE COURT: Okay.

MR. NASH: So, Your Honor, the plaintiff's proposal is obviously to have final contentions, I believe the date is, March 20th, 2025. So a few weeks

after *Markman*, consistent with the default schedule. That's when we believe all contentions should be due.

I believe Defendants' proposal is to stagger them such that, first, Plaintiff would have to do its infringement contentions, its final infringement contentions, and then the defendants would do their final invalidity contentions. We obviously disagree with that.

We believe the reason why the default is to have both exchange simultaneously is because the updating that's being done at that time is based off the information that's revealed through claim construction process. Both parties now have the positions that are being used for infringement and invalidity, and then it's just seeing what updates need to happen relative to the change in claim construction.

THE COURT: Got it. Mr. Mueller?

MR. MUELLER: Yes, Your Honor. And our proposal is to stagger it by four weeks, such that the invalidity contentions would be four weeks after infringement. We think the reason for, Your Honor, is to allow us to tailor in terms of the scope of the arguments the invalidity contentions to the infringement contentions.

They would be -- as Mr. Nash said, there would need to be an antecedent basis in the original invalidity

contentions. But, nonetheless, the infringement contentions could be narrowing the infringement theories, some of which would carry with them an implied position as to the scope of the claims according to the plaintiff. That can have implications for invalidity arguments that are tied to the implied scope of the claims.

So the bottom line is, from our perspective, there's a logical connection between the ultimate positions that we articulate for invalidity and their final infringement contentions, such that having your final infringement contentions will allow us to efficiently present the invalidity contentions and the final contentions.

Just to make two other points, Your Honor. One is we take Your Honor's ruling, of course, on the claim narrowing, but that does underscore, we think, the need for this stagger. Because if there's going to be that many claims potentially in play at that stage of the case, we may be preparing invalidity contentions on arguments that are moot. We may receive the infringement contentions and have claims that are dropped, for example, by the plaintiff in their contentions, and we'll have spent time preparing invalidity contentions that are no longer necessary.

So, if they're going to have the flexibility to

have as many claims in play as they will, we do think it's appropriate to allow us at least the chance to see where they arrive in terms of a resting point for their final set of asserted claims in the final infringement contentions before we respond to them.

And I'll note, Your Honor, one case in which this court has done exactly that is the *ACQIS v. ASUStek* case which we cited in our papers, staggering the contentions deadlines and setting the deadline for the final invalidity contentions four weeks after the infringement contentions. That's exactly what we're respectfully requesting here, Your Honor.

THE COURT: All right. Thank you, Mr. Mueller.

Mr. Nash, final words on this one.

MR. NASH: Yes, Your Honor. I don't think there's anything atypical about this case that would require an atypical staggering of these final contentions. It's like any other patent case in that regard, including cases that involve a lot of claims.

The *ACQIS* case that was noted by counsel I believe is distinguishable. That involved some later developed products that I believe were trying to be injected into the case. And so I think there was a separation in contentions to reflect the fact that that was newly added products.

THE COURT: All right. On this one I'm going to stay with the court's standard as well. We'll just make those due at the same time.

All right. Do we need -- is there another issue in the chart that we need to address, Mr. Nash?

MR. NASH: I don't believe so, Your Honor. The chart does talk about some early discovery questions. I think with the Court opening discovery, we'll see that play out, so it would be premature, probably, to address the applicability of some of these cases that are being requested up front.

At the very least, I think there would be an RFP, we'd respond, and then if there's a dispute over it, we would tee that up for the Court's decision.

MR. MUELLER: That's fine, Your Honor.

THE COURT: Okay.

MR. MUELLER: I think the only remaining issue would be just that expert discovery schedule. And we would, again, respectfully request some additional time, given the complexity of the issues and the number of expert reports that we anticipate will be in play.

THE COURT: Understood. What I'll do is I'm going to -- rather than order you to submit a proposed schedule in Word form now, I'll order you to submit a proposed scheduling order. Email it to chambers a week

from tomorrow, so one week from Friday. Take the next seven plus one, eight, days to meet and confer and see if you can find some common ground between the trial date and the length of expert discovery in light of discovery opening and the other rulings we've made here today.

How does that sound?

MR. NASH: That sounds great, Your Honor. Thank you.

MR. MUELLER: Sounds good, Your Honor. Thanks very much.

THE COURT: You're welcome. Let's see. I think -- yeah. I think that's it. Is there anything else from the plaintiff we need to address on this one?

MR. NASH: Nothing further from the plaintiff, Your Honor.

THE COURT: All right. I will say -- I need to make sure the record reflects that Mr. Schnell, is he at the table with you on this case, or is he ...

MR. NASH: I'm at the table with him, Your Honor.

THE COURT: There you go. He snuck up there, after -- before we did announcements. So I want to make sure the record reflects, Austin Schnell's attendance and copious passing of notes to Mr. Nash during argument.

Anything else for Defense?

MR. UNDERWOOD: No, Your Honor. Thanks very much.

THE COURT: All right. Thank you-all very much, and you-all can be adjourned.

(Proceedings concluded at 2:31 p.m.)

REPORTER'S CERTIFICATE

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/S/ Arlinda Rodriguez July 31, 2024

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